



The Real Estate TRENDS

AUGUST 28
1952

Volume XXI

A concise monthly digest of real estate and construction
fundamentals and trends. A part of the complete
service known as the Real Estate Analyst Reports.

Number 37

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

REAL ESTATE ACTIVITY AND RESIDENTIAL CONSTRUCTION

During the month of July our national real estate activity index virtually marked time. However, it did mark time in the right direction - up 0.3 of a point. It is now 29.6 points above the long-range computed normal, whereas last month the reading was 29.3.

It's almost impossible to determine just what effect Regulation X has had on the average real estate broker. Naturally, if he was dealing in the sale of new homes, or handling a large number of FHA-VA sales, he has been hit pretty hard. Consequently, he may get some relief from the coming demise of Regulation X.

This help will come from an increase in the sale of new homes conventionally financed. In our opinion, the amount of FHA-VA sales will be affected very little by anything that happens to real estate credit regulations.

Reluctance of lenders is what has slowed down FHA-VA sales much more than the inability of the purchaser to dig up the necessary down payment.

In connection with the subject of down payments, the following figures may be of interest. The 1952 "Survey of Consumer Finances"¹ reports that in 1952, 61% of all families held liquid assets of less than \$500. In 1950, this figure was 58% and in 1949 it was 57%, so liquid assets in the hands of consumers are dropping slowly, but steadily. The Bureau of Labor Statistics has just released a report to the effect that in 1951 the average urban family spent \$400 more than its income (after taxes). Regardless of these gloomy reports, real estate activity will continue high for the remainder of 1952, and will get a small boost from the removal of Regulation X.

As we have pointed out before, the government is openly playing politics with credit controls at the expense of the real estate and home building industry. So long as Regulation X is going to be removed, it might as well have been removed in July. All of this hocus-pocus about trying to determine the rate of construction is like using integral calculus to find the sum of $2 + 2$. Residential construction

¹ Issued by the Board of Governors of the Federal Reserve System.

has hit a 1,200,000 annual rate only once since September 1950, and that was in June of 1951, when the Public Housing Administration put some 40,000 units under permit in order to beat a Congressional deadline.² However, by using this subterfuge, the removal of controls is delayed until 4 to 6 weeks before the election. This accomplishes two things: 1. the resulting stimulation to the economy will probably last at least until November 1; and 2. the beneficence of the Administration will be fresher in the minds of the voters.

REAL ESTATE AS AN INVESTMENT

The "Survey of Consumer Finances" that we have already mentioned revealed some very interesting points regarding the preferences of the investing public. It revealed, among other things, that only 26% prefer investments with a fluctuating money value. Most of the other investors preferred investments in savings accounts and savings bonds, and the overwhelming reason given for this preference was the safety, or security, factor. The reason that so small a percentage preferred investments with a fluctuating money value is probably the result of two things: First, the greater percentage of people are always conservative in their investments and, regardless of the outlook, would prefer savings accounts, savings bonds and other fixed investments to "risk" investments. The second reason is probably the fact that many people are becoming wary of risk investments after the very long boom we have come through.

Among those who preferred investments with a fluctuating money value, real estate was favored by about 65%. This group, who prefers to invest in assets with a fluctuating value, breaks down in the following occupational divisions:

Occupation	Percent preferring real estate as an investment
Farm operators	93%
Unskilled and service workers	84%
Self-employed	72%
Skilled and semiskilled	69%
Clerical	57%
Professional and semiprofessional	50%
Managerial	48%
Retired	35%

In reading this table, you should keep in mind that the percentages do not apply to all investors in each occupational group. They apply only to those investors who prefer to invest in assets that fluctuate in value.

(cont. on page 360)

² July starts reached 104,000. Through first 7 months of 1952 they totaled 669,700 compared with 680,500 for first 7 months of 1951. However, the large number of public housing starts in 1951 makes this comparison appear more unfavorable than it actually is.

INCREASES IN BUILDING COSTS SINCE 1939

ST. LOUIS



COMMERCIAL BUILDING - NO BASEMENT

Content: 115,850 cubic feet
8,075 square feet

Cost today: \$50,745
(43.8¢ per cubic foot; \$6.28 per square foot)



18-FAMILY BRICK APARTMENT

(FRAME INTERIOR)*

Content: 168,385 cubic feet
13,260 square feet

Cost 1939: \$ 60,300
(35.8¢ per cubic foot; \$ 4.55 per sq. ft.)
Cost today: \$159,272
(94.6¢ per cubic foot; \$12.01 per sq. ft.)
INCREASE OVER 1939 = 164.1%



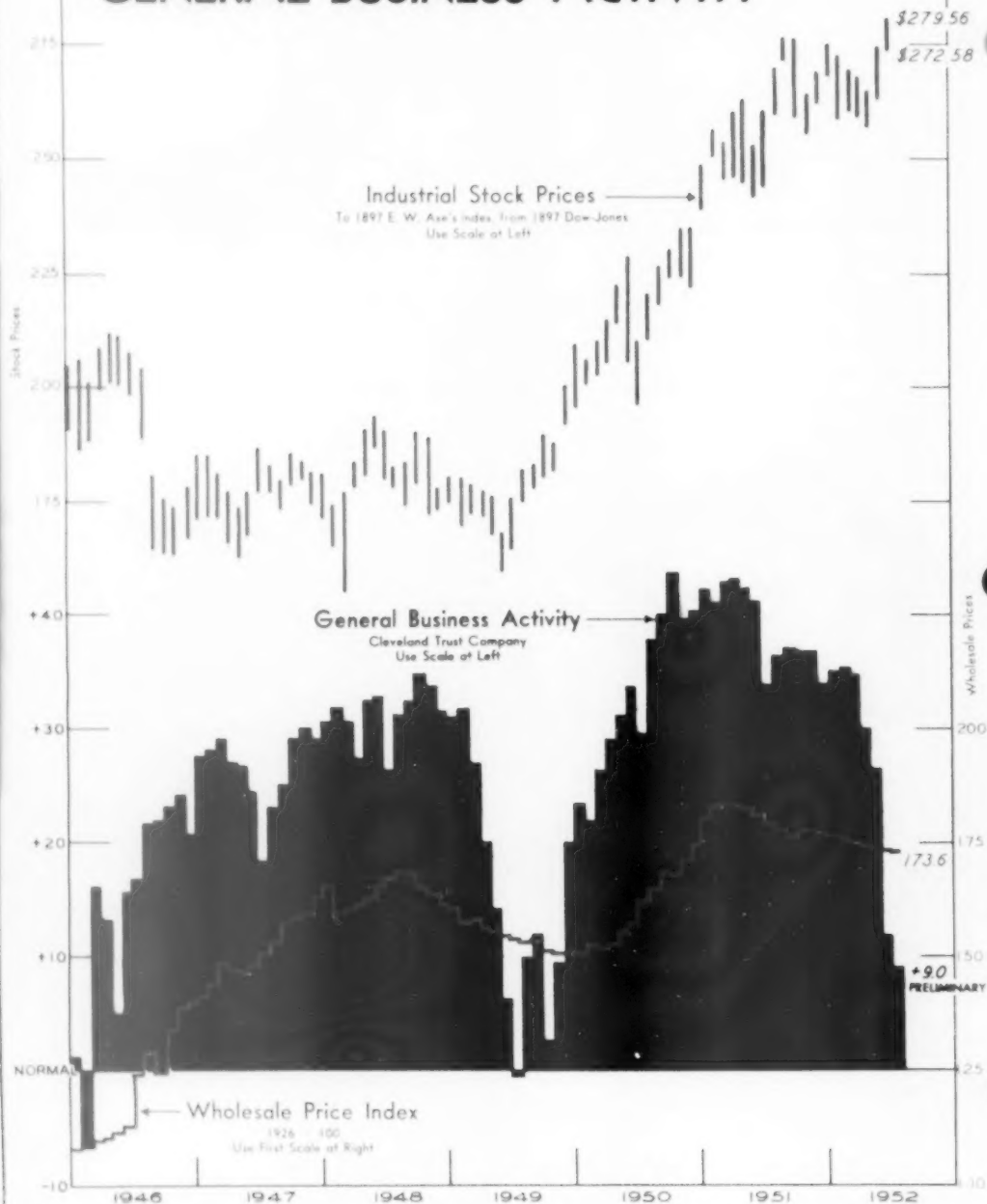
30-UNIT REINFORCED CONCRETE APARTMENT*

Content: 303,534 cubic feet
21,372 square feet

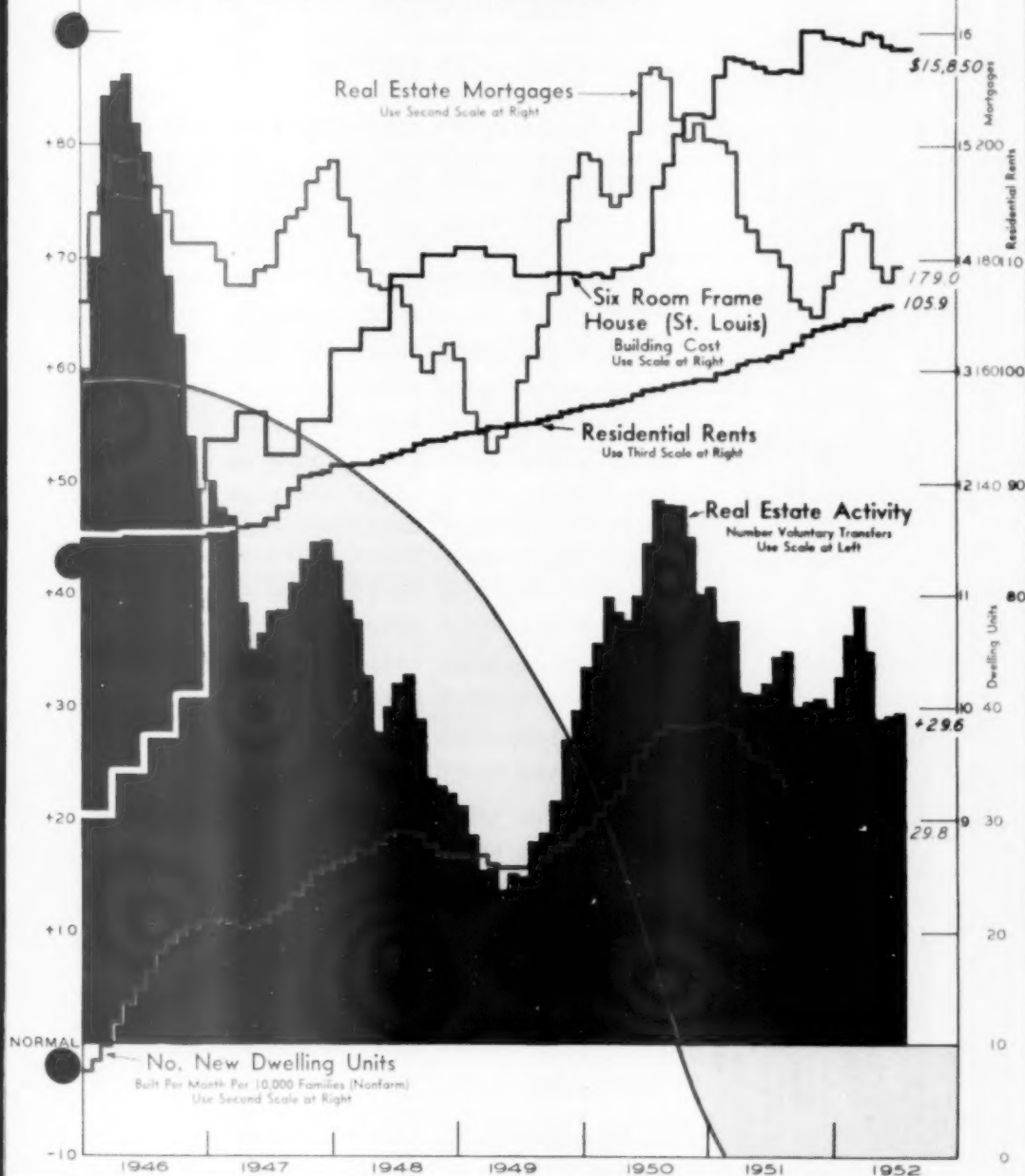
Cost 1939: \$135,000
(44.5¢ per cubic foot; \$ 6.33 per sq. ft.)
Cost today: \$342,234
(\$1.13 per cubic foot; \$16.01 per sq. ft.)
INCREASE OVER 1939 = 153.5%

*Costs include full basement.

GENERAL BUSINESS ACTIVITY



REAL ESTATE ACTIVITY



Ja 1942	500	685	175	86	509	212	783	280	657	263	262	200	314	187	64	29	48	72	79	33	141	229	81	3633	2236	1451	7320	36.1	4.44
Ap 1942	505	685	175	86	519	212	783	280	682	263	273	200	317	187	64	29	50	72	79	36	141	229	81	3712	2236	1464	7412	30.5	4.49
Ja 1943	505	685	175	86	519	214	781	282	682	264	273	180	317	186	72	29	50	72	79	36	141	229	81	3711	2236	1464	7410	30.5	4.51
O 1942	505	657	182	86	530	190	789	252	682	238	273	180	317	149	56	29	50	65	79	36	126	229	75	3709	2047	1403	7159	29.5	4.34
Ja 1943	505	657	151	86	532	190	790	252	682	238	273	180	317	149	56	29	50	65	79	36	126	229	75	3700	2047	1402	7149	29.4	4.33
Ap 1943	505	657	151	86	532	190	790	252	682	238	273	180	317	149	56	29	50	65	79	36	126	229	75	3700	2047	1402	7149	29.4	4.33
O 1943	513	638	151	99	538	174	898	227	682	213	273	180	317	149	56	29	50	63	79	36	126	238	75	3894	1964	1388	7049	29.0	4.27
Ja 1944	513	638	175	99	538	174	897	227	633	213	273	180	317	149	56	29	50	63	79	36	126	238	75	3895	1964	1417	7302	30.1	4.43
Ap 1944	513	638	175	99	664	174	891	227	633	213	273	180	317	149	56	29	50	63	79	36	126	238	75	3895	1964	1414	7273	29.9	4.41
Ja 1945	513	638	175	99	664	195	994	254	670	238	273	180	317	149	56	29	50	63	79	36	126	238	75	4025	1964	1429	7418	30.5	4.50
Ap 1945	513	638	175	99	664	195	994	254	670	238	273	180	317	149	56	29	50	63	79	36	126	238	75	4040	1964	1432	7438	30.6	4.51
O 1944	522	750	175	99	664	174	894	227	648	213	273	180	317	149	56	29	50	63	79	36	126	246	75	4060	2076	1454	7590	31.2	4.60
Ja 1945	522	751	175	99	664	195	994	254	670	238	273	180	317	149	56	29	50	63	79	36	126	246	91	4082	2187	1484	7723	31.8	4.69
Ap 1945	528	751	175	99	664	195	994	254	670	238	273	180	317	149	56	29	50	63	79	36	126	246	91	4096	2187	1487	7750	31.9	4.70
O 1945	586	981	175	113	680	287	999	304	670	331	273	292	320	251	56	20	50	72	79	36	141	246	95	4099	2310	1541	7980	32.7	5.47
Ja 1946	592	1051	175	113	680	303	999	419	670	394	285	308	322	259	59	29	50	111	79	36	204	246	125	4173	3316	1683	9372	38.6	5.68
Ap 1946	598	1072	175	113	678	303	983	419	670	394	308	308	322	259	59	29	50	119	79	36	204	246	125	4212	3345	1956	9463	39.0	5.74
O 1946	636	1136	175	113	678	330	999	438	700	432	330	308	358	259	59	29	62	119	81	41	204	246	125	4343	3451	1959	9752	40.2	5.91
Ja 1947	627	1321	214	131	1076	358	1506	508	970	461	353	396	404	319	102	29	73	127	115	176	234	317	153	5933	4037	2422	12392	51.0	7.51
Ap 1947	656	1321	214	131	1117	358	1568	508	987	461	377	396	401	319	102	29	77	127	132	176	234	317	153	6122	4037	2460	12619	52.0	7.65
O 1947	689	1321	214	131	991	358	1458	508	987	461	377	396	401	319	109	29	76	127	132	187	234	317	153	5786	4037	2415	12238	50.4	7.42
Ja 1948	709	1440	258	147	992	374	1525	517	1056	488	456	396	457	359	145	29	73	127	139	184	254	340	153	6314	4264	2606	13187	54.2	7.99
Ap 1948	714	1440	258	147	992	374	1531	517	1081	468	504	396	501	359	117	29	77	127	139	184	254	340	153	6437	4264	2636	13337	54.9	8.04
O 1948	726	1529	258	151	992	402	1531	552	1089	508	529	442	517	359	122	29	78	127	139	187	256	357	183	6523	4355	2753	13829	56.9	8.38
Ja 1949	744	1530	258	164	992	402	1539	552	1089	508	568	442	547	359	130	40	75	139	139	187	256	381	184	6689	4578	2846	14045	57.8	8.51
Ap 1949	742	1507	258	172	935	397	1480	560	1449	253	575	442	554	359	130	40	79	139	149	196	259	361	184	6938	4324	2838	14096	58.0	8.54
O 1949	742	1545	245	172	850	402	1408	560	1416	253	571	442	465	375	130	40	79	139	149	196	278	361	172	6872	4325	2824	14031	57.8	8.50
Ja 1950	742	1545	245	172	875	402	1418	560	1416	253	567	442	483	375	130	40	81	139	150	189	278	370	178	6666	4384	2799	13849	57.0	8.39
Ap 1950	744	1545	245	172	849	402	1468	560	1444	253	571	442	483	375	130	40	81	139	150	189	278	370	178	6666	4384	2805	13849	57.2	8.43
O 1950	753	1606	260	172	930	409	1545	572	1444	259	571	442	483	375	130	40	81	142	150	189	287	430	184	6978	4468	2885	14251	59.1	8.70
Ja 1951	770	1607	255	172	1079	412	1723	577	1644	259	576	442	528	375	130	40	81	142	150	188	287	448	184	7572	4487	3027	15096	62.2	9.15
Ap 1951	790	1643	255	181	1025	451	1661	637	1648	288	576	440	548	375	130	49	83	142	150	191	287	448	183	7905	4876	3066	15247	62.8	9.24
Ja 1951	820	1643	255	181	1106	451	1911	637	1701	288	584	440	589	375	106	53	85	142	150	191	287	452	183	7950	4880	3137	15767	64.9	9.56
Ap 1951	835	1764	255	193	987	489	1831	684	1687	311	657	440	581	389	106	53	84	142	150	191	324	452	201	7813	4890	3220	16026	66.0	9.71
Ja 1952	835	1764	255	193	987	489	1789	684	1676	311	661	440	578	389	106	53	83	142	150	191	324	452	201	7763	4890	3212	15985	65.7	9.68
Mr 1952	835	1764	255	193	970	489	1789	684	1661	311	661	440	578	389	106	53	83	142	150	191	324	452	201	7737	4890	3207	15954	65.4	9.66
Ap 1952	835	1764	255	196	970	489	1755	684	1661	311	661	484	585	402	94	56	97	158	163	192	324	452	201	7712	4897	3198	15954	65.4	9.66
Mr 1952	835	1766	255	196	970	489	1755	684	1661	311	661	484	585	402	88	44	97	158	163	192	324	452	201	7702	5065	3238	16005	65.9	9.70
Ja 1952	835	1766	263	196	970	489	1781	684	1575	311	664	484	550	402	81	41	97	158	163	192	324	452	201	7696	5059	3231	15966	65.8	9.68
Ap 1952	835	1766	263	196	975	489	1728	684	1579	311	656	484	559	402	81	41	97	158	163	192	324	452	201	7605	5054	3215	15876	65.4	9.62
Mr 1952	835	1766	263	196	975	489	1728	684	1576	311	656	484	561	402	81	41	97	158	163	192	324	452	201	7582	5056	3212	15850	65.3	9.61
Ja 1952	835	1766	263	196	975	489	1728	684	1576	311	656	484	561	402	81	41	97	158	163	192	324	452	201	7581	5056	3213	15850	65.3	9.61

(cont. from page 354)

It is interesting to note what might be called a lack of preference for real estate on the part of retired investors - only 35% preferring real estate holdings to those of other types. This is undoubtedly caused by the fact that many retired investors have been badly hurt by rent controls. After all, under rent control, small rental property has not been allowed to increase in value. In many cases, investments in small rental property have proved to be liabilities rather than assets and, while their value has fluctuated, it has fluctuated in a downward direction, while most other values were rising.

REAL ESTATE
MORTGAGE ACTIVITY

If we were confined to reporting nothing but the change in mortgage activity during July, it could be done in two words - practically none. Our index rose from 176.4 to 179.0, a rise of 2.6 points. Mortgage activity will follow the same general trend taken by real estate activity. Therefore, we expect it to remain about the same, with the possibility of slight improvement after the removal of credit controls.

There is a possibility that lenders will come under considerable pressure to make unsound loans once regulations are eliminated. However, we are sure that most of them are smart enough not to confuse legality with prudence.

RESIDENTIAL
CONSTRUCTION COSTS

No change during July - practically none anticipated.